

MONTHLY REVENUE REPORT

October 2004

The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$2.3 billion in October, which was down 3.2% from last year's level after adjusting for the State education property tax's new collection schedule. This decrease followed a 3.1% decline in September. While income, tobacco, real estate transfer, and severance taxes were up in October from their year-ago levels, these increases were more than offset by declines in sales, use, single business, insurance, and estate taxes.

While FY 2003-04 ended on September 30, 2004, most of October revenue will accrue back to FY 2003-04, based on Generally Accepted Accounting Principals (GAAP). Tax revenue will be accrued back if the tax liability was established before October 1, 2004. Therefore, based on cash collections from November 2003 through October 2004 (excluding State education property tax collections), FY 2003-04 tax collections totaled \$17.1 billion, which is up 0.9% from last year at this time. It is estimated that FY 2003-04 tax collections are below the consensus estimate by about \$140 million, but this could change when all accruals and book-closing adjustments are made, which is scheduled to be completed in December.

Net income tax collections totaled \$530 million in October, which was up 0.8% from last year's level. Gross income tax revenue (withholding, quarterly, and annual payments) totaled \$579 million, and refunds totaled \$38 million. On a fiscal year-to-date basis, net income tax collections are up 1.2%; however, it is estimated that some of this gain is due to the slower processing of refund payments compared with last year. As a result, when the pending refunds are identified and included in the year-end book-closing adjustments, the gain in net income tax collections is expected to be reduced.

Sales tax collections fell 7.6% to \$519 million in October. Sales tax collections generated from motor vehicle transactions were down 10.4% from last year's level and the tax collected from all other taxable retail sales was down 7.0%. On a fiscal year-to-date basis, a 12.8% decline in motor vehicle sales tax collections is being offset by a 2.4% increase in the sales tax collected from all other taxable retail sales; as a result, total sales tax collections are basically unchanged from last year's level. The consensus estimate is that sales tax collections will be up 1.4% in FY 2003-04.

Single business tax collections totaled \$182 million in October, which was down 15.7% from last year. It is estimated that at least some of this weakness is due to the timing of the quarterly payments that were due on the last day of October. Because October ended on a weekend, some of these payments were not received and processed until the first week in November. Payments received in November that reflect business activity in September or earlier, will be accrued back to FY 2003-04. Based on cash collections from November 2003 through October 2004, FY 2003-04 single business tax collections are down 4.7%, compared with the FY 2003-04 consensus estimate of a 0.4% decline.

Tobacco tax collections, which totaled \$105 million in October, were up 42.6% compared with last year's level. This large increase reflects the increases in the cigarette and other tobacco products tax rates that went into effect in July 2004. On a fiscal year-to-date basis, tobacco tax revenue is up about 7.8%, and it is estimated that the revenue derived from the tax rate increases for FY 2003-04 is about \$10 million higher than originally expected.

State education property tax collections totaled \$788 million in October, which was up 14.1% from last year. This large increase reflects the new payment schedule. Cash collections through October were down 21.0% from last year, and when November collections are accrued back to FY 2003-04, State education property tax collections are expected to be very close to the consensus estimate.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for October 2004, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revenue estimates for FY 2003-04, which were adopted at the May 2004 Consensus Revenue Estimating Conference.



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MICHIGAN REVENUE UPDATE
OCTOBER 2004
(dollars in millions)

Type of Revenue	October Collections		FY 2003-04 to Date ²⁾		FY 2003-04 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2002-03
Gross Income Tax	\$ 568.1	0.9%	\$7,451.6	1.0%	\$7,516.2	2.1%
Refunds	(37.7)	2.2	(1,555.2)	0.2	(\$1,640.9)	5.8
Net Income Tax	\$ 530.4	0.8%	\$5,896.4	1.2%	\$5,875.3	1.1%
Sales Tax	518.7	(7.6)	6,416.1	(0.1)	6,514.2	1.4
Motor Vehicles	80.4	(10.4)	911.0	(12.8)	---	---
All Other Sales Tax	438.3	(7.0)	5,505.1	2.4	---	---
Use Tax	98.2	(7.4)	1,303.5	5.6	1,284.6	4.5
Tobacco Taxes ⁴⁾	104.5	42.6	958.8	7.8	943.8	5.9
Single Business Tax	182.2	(15.7)	1,778.1	(4.7)	1,835.1	(0.4)
Insurance Tax	26.2	(10.0)	230.2	(1.7)	247.0	6.9
State Education Property Tax	787.8	14.1	1,639.3	(21.0)	1,745.2	(18.0)
Real Estate Transfer Tax	30.4	13.9	321.9	22.3	297.7	8.1
Estate/Inheritance Tax	3.6	(45.5)	78.4	(23.7)	65.0	(34.1)
Casino Wagering Tax	0.7	75.0	96.5	6.0	98.5	8.4
Oil & Gas Severance Tax	4.9	40.0	50.7	(5.4)	56.0	16.9
Total	\$2,287.6	2.2%	\$18,769.9	(1.5)%	\$18,962.4	(0.6)%
Excluding State Education	\$1,499.8	(3.2)%	\$17,130.6	0.9%	\$17,217.2	1.6%
Addendum:						
Gross Lottery Sales ⁵⁾	\$175.2	13.1%	\$1,976.7	17.6%	\$1,865.9	10.9%
Net to School Aid Fund ⁵⁾	\$ 56.1	3.9%	\$ 646.7	10.6%	\$ 637.0	8.7%

1) Total collections are unadjusted cash collections unless otherwise noted.

2) FY 2003-04 year-to-date collections begin with November 2003 collections to reflect accrual accounting.

3) Includes: 1) consensus revenue estimates adopted May 18, 2004, 2) revenue expected from expanded effort to collect delinquent taxes, and 3) revenue from the recent tobacco tax increase.

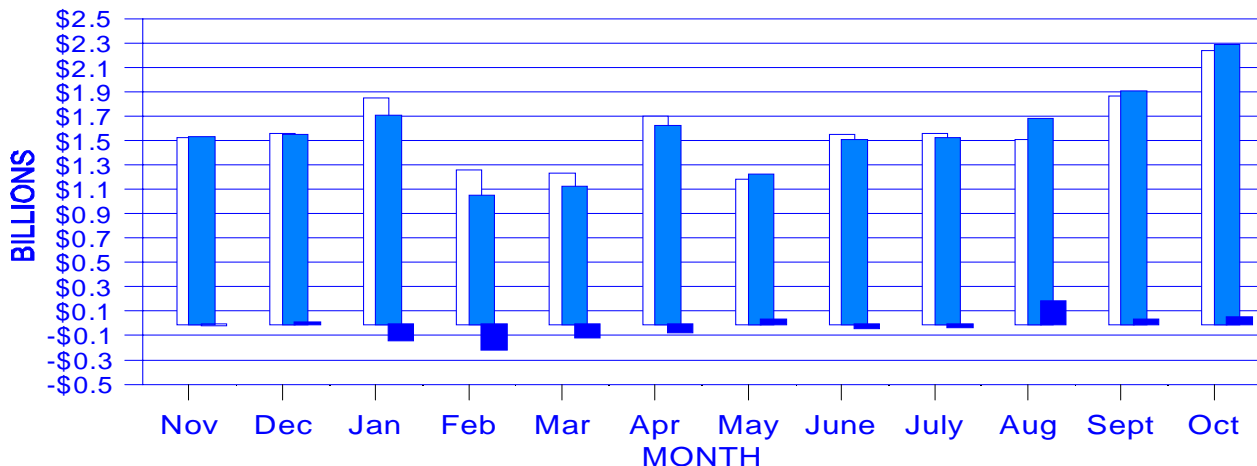
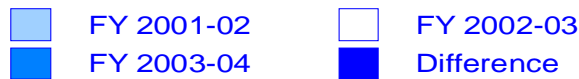
4) Tobacco tax revenue includes the revenue generated from the tax increase effective July 1, 2004.

5) Lottery revenue is not accrued, so FY 2003-04 lottery revenue will include October 2003 to September 2004.

Actual Revenue Collections for Major State Taxes*

November 2002 to October 2004

CASH COLLECTIONS (Billions of Dollars)



*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.